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Community Land Trust Feasibility in Los Angeles County

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POLICY BRIEF

Community Land Trust Feasibility in Los Angeles County

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ISSUE

Los Angeles County is in the midst of a housing affordability crisis. Over half of LA County renters are rent-burdened, meaning they spend more than 30 percent of their income on housing costs. To address the housing crisis, county officials established an affordable housing action plan which contained a set of seven policy recommendations. One of the seven policy recommendations, and the focus of this research, is community land trusts (CLTs). CLTs are community-owned and managed nonprofit organizations that acquire or build housing to preserve it for low- and moderate-income households. CLTs are committed to affordability in perpetuity: Housing under their control remains affordable to low- and moderate-income households in the communities they serve. This research seeks to determine the feasibility of CLTs in the county and what might be done to support them.

APPROACH

The research methodology included two main steps. First, the researcher interviewed CLT development staff to understand the strategies they have implemented to successfully expand their housing portfolios. Did they build housing or acquire existing housing? What funding did they have access to? This step also required an

analysis of affordable housing funding available in Los Angeles County. After determining these strategies and the affordable housing funding, the next step involved testing their financial feasibility in Los Angeles County.

Then, the researcher tested the financial feasibility of the strategies identified in step one. The feasibility testing included the following scenarios that a CLT might face: the new construction of large apartment buildings (50+ units), the acquisition of single-family homes, and the acquisition of small apartment buildings (5-25 units).

RESEARCH FINDINGS

CLTs can expand their housing portfolio by 1) building new housing or 2) purchasing existing housing on the real estate market.

- This research found that building affordable housing with existing subsidies, including 4 percent and 9 percent Low-Income Housing Tax Credits in Los Angeles County, is infeasible in all but one scenario. Most affordable housing funding in Los Angeles County and California supports the construction of permanent supportive housing for people experiencing homelessness. CLTs do not typically serve this population and would not qualify for this funding. The one scenario where they are able to feasibly build new housing is in transit-adjacent

KEY TAKEAWAYS

- Community land trusts (CLTs) face gaps in feasibility in Los Angeles County when they seek to either acquire existing housing or build new housing.
- Los Angeles County should create and expand funding that enables CLTs to acquire and build new housing.
- Los Angeles should look to funding models in Oakland and San Francisco where CLTs have successfully expanded their portfolios of affordable housing.

areas. This is because sites that are adjacent to transit qualify for additional funding from the state's Affordable Housing and Sustainable Communities (AHSC) program, which is not tied to building permanent supportive housing.

- Purchasing existing housing at market rates, whether single-family homes or small apartment buildings, is also infeasible for CLTs due to a lack of funding. CLTs seeking to acquire existing apartment buildings in South Los Angeles or East Los Angeles face financing gaps of \$20,000 – \$200,000 depending on the income of residents the CLT seeks to house. This is the gap between the cost of a unit of housing and what a low- or moderate-income resident can afford to pay.
- Interviews with CLTs that have successfully built or purchased housing reveal that a key element to their success is access to funding. CLTs in Oakland

and San Francisco had access to dedicated pools of funding in their respective cities that allowed them to purchase existing apartment buildings, preserving their affordability and preventing rent increases.

RECOMMENDATIONS

Most strategies that a CLT could pursue to bring new housing into its portfolio are infeasible in Los Angeles County. Therefore, the researcher recommends the following:

- Create a pool of funding to support CLTs and other affordable-housing providers attempting to acquire existing housing in Los Angeles County.
- Give priority of new construction funding to development organizations that place their new housing units in a CLT.

FOR MORE INFORMATION

Horvath, C.J. (2019). *Community Land Trust feasibility in Los Angeles County. (Master's capstone, UCLA)*. Retrieved from: https://www.lewis.ucla.edu/2019-capstone_horvath_permanent-support-housing/